

Customer Service

gaining momentum in the company's dealings with both internal and external customers and suppliers. "We've seen several of our clients institute massive service analyses," says Spira. "Major clients also are looking at cross-unit synergies to affect more powerful relationships with customers."

Kodak has 17 distinct markets, and the company is divided into business units to serve those markets. Distribution is a shared resource within the company, and each business unit negotiates an annual service agreement with the distribution division.

• **There are significant differences in customer service practices and performance expectations by industry.** Different industries have different ways of measuring stock availability and other baseline measurements of customer service performance.

There also are different ways to segment your customer base: by geographic region, by product line, by volume, by distribution channel, by profitability. Which is the best way? "All of the above, depending on the industry and the nature of the business," says Spira. "There is not a generic solution."

Overriding the specifics, Spira maintains, is a compa-

ny's overall service posture. There are three basic modes companies find themselves in—offense, defense, or maintenance. If your service posture is offense, you are actively working with customers to improve profits. If yours is a defensive posture, you are pushing product into the market and paying little attention to service complaints. If you are in a maintenance position, you are providing enough service to maintain market share.

Interestingly, Spira believes that most companies do not know what their posture is. "You can figure it out by doing primary market research," he notes, "but there are other ways to do it, both old-fashioned and contemporary." Testing on-time delivery and in-stock performance are the traditional ways of gauging service, but Spira contends that in the contemporary marketplace "you need to consider a whole range of variables in the ways buyers interact with sellers. You must consider the whole spectrum, and make sure every aspect of your business is consistent with the company's overall strategy."

• **The scope of customer service activity in many firms has extended from the domestic to the international sphere of operations.** As the likelihood of

continued

Table 3.3
1976 vs. 1987 Attitudinal Comparison*

	TOTAL MANUFACTURING		MERCHANDISING		TOTAL RESPONSE	
	1976	1987*	1976	1987*	1976	1987*
1. Customer service levels are improved as the number of field warehouses is increased.	-.70	-.10	-.10*	.04	-.55	-.09
2. Central order processing improves customer service levels.	.60	.94	1.20	.71	.75	.93
3. Independent middlemen (brokers, public warehousemen, wholesalers, etc.) tend to reduce customer service levels by delaying information from final customer.	.10	.37	.90	.71	.29	.39
4. Competitive pressure is the most important factor in setting the level of customer service.	-.20*	.84	-.40	.63	-.25*	.83
5. A centralized customer service function within the corporation tends to improve service levels provided to customers.	.70	.87	1.30*	1.13	.85	.88
6. The customer service function should report to the top sales/marketing executive.	-.60	-.02	-1.20	.54	-.75	.01
7. Most firms do not understand what levels of service their customers really want.	1.00	.59	.70	.46	.93	.59
8. Most firms do not specifically measure the cost implications of changes in customer service levels.	1.30	1.02	1.00	.54	1.23	.99
9. Most firms do not specifically measure the sales impacts of changes in customer service levels.	1.20	1.03	.80	.54	1.10	1.00
10. Customer service levels in most firms are set at a higher level than necessary to provide customer satisfaction.	.40	-.01	.40	-.21	.40	-.02
11. In my business, consistency in order cycle times is more important than having all products in stock.	.60	.28	.20*	.37	.41	.29

*Means of a 5 pt. scale where -2 = strongly disagree and +2 = strongly agree

*1987 figures were converted from a 7 point scale where 1 = strongly agree and 7 = strongly disagree by using the formula $((4 - X)/1.5)$

*Bimodal

Table 3.3 (scale: -2 = strongly disagree and 2 = strongly agree) shows how customer service attitudes have changed. Overall, managers are more sensitive to the cost and sales implications of customer service.

international partners in a global supply chain increases, the customer service expectations of both buyer and seller become more complex in scope and execution. The CLM project included several case studies, one of which concerned an international customer service problem experienced by Digital Equipment Corporation.

Both Digital's international manufacturing and foreign sales subsidiaries are served by various domestic facilities. The decentralized shipment of goods overseas caused customer service to suffer. Efforts often were duplicated, and errors in documentation increased. Because of stringent export controls on high-tech equipment, these problems threatened to handicap Digital's ability to do business overseas. In addition, many of Digital's facilities were moving toward JIT, so that shorter and more predictable order cycle times were necessary.

Digital responded by establishing the International Logistics Center in 1986. The ILC consolidates and packs all international orders, ensures proper documentation and arranges for transportation. This distribution center has given the company far greater control of its international logistics. Delivery times have been shortened and docu-

mentation errors have been reduced. The number of incorrect shipments has been reduced to almost nil (accuracy is 99 percent), resulting in fewer delays because of foreign customs clearance. The bottom line is that the ILC paid for itself in one year.

• **The pressure on customer service performance will continue to increase over the visible horizon.**

The survey findings indicate strong pressure from customers, competitors and new technology to maintain higher customer service standards. The expectation of the customer is higher, and the customer's capability of monitoring performance on a real-time basis is steadily increasing.

"Logistics in the 1990s is going to be in an environment where the importance of the product brand you're offering will diminish," says Spira, "and the total package, the relationship between vendor and customer, will become more important. Service will play an ever greater role in the marketing mix." ■

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GUIDELINES FOR IMPLEMENTING CUSTOMER SERVICE STRATEGIES

Based on the findings of its study, the Council of Logistics Management offers the following guidelines for implementing a successful customer service strategy.

1. Recognize customer service as a "boundary-spanning" process, both in function and geography. The objectives of a customer service program cannot be achieved within the logistics function alone, regardless of how broadly it is defined. An effective customer service program will integrate diverse functions which have important roles in satisfying the customer.

2. Customer service performance metrics should be buyer-focused, not seller-focused. Seller-focused standards insulate management from customer needs and delay response time to shifts in customer requirements.

3. Search for an acceptable range of service rather than a required point in the design of customer service systems. This establishes a "window" of service that is generally acceptable to the customer, allowing the seller to set up a more flexible logistics system, usually with lower costs and no penalty in terms of market share or customer goodwill.

4. Design information support systems which are preemptive and visible to internal and external partners. Information systems should be designed to answer customer service questions before they are asked. They also should provide visible and timely information not only to customers, but to all internal functions which require customer information for the successful completion of their objectives.

5. Learn how to negotiate in a win-win environment. The shift from transaction-based to contract-based relationships requires skills in negotiation and in structuring win-win contexts.

6. Develop and market a corporate-wide metric which provides accurate and timely monitoring of key result areas in customer service. Create boundary-spanning standards which are acceptable to all internal and external components that monitor key result areas in customer service. All functions, as well as top management, must accept and use the same set of customer-driven standards.

7. Develop an ongoing process for scanning customer service input from the exter-

nal environment. Customer service is affected by the competitive environment and other external inputs. To insure the relevance of the customer service program to the targeted customer mix, a method for continuously monitoring the elements of the external environment must be developed, tested and made standard practice.

8. Link the corporate planning process to customer service performance expectations. In a period of rapidly changing technology, the customer service program must be especially sensitive to the overall goals of the corporation. Strategic deployment of corporate resources and decisions on inventory deployment, modal choice, EDI, etc. are necessarily linked. This link will become even more critical as the pace of customer-influenced technology and the range of logistics system options increase.

The framework and charts used here are part of "Customer Service: A Management Perspective," which features the results of the CLM study and is available to CLM members for \$30 (\$60 for non-members). For an order form, contact CLM at (312) 574-0985.